



STATE OF MISSISSIPPI  
OFFICE OF THE GOVERNOR

December 3, 2009

Kevin Upchurch, State Fiscal Officer  
Department of Finance and Administration  
501 North West Street  
Suite 1301, Woolfolk Building  
Jackson, Mississippi 39201

Dear Kevin:

A further review of state tax collections for Fiscal Year 2010 confirms what we have known for months: Mississippi's state budget will not recover from this recession anytime soon. Additional reductions in state spending are necessary to keep Mississippi's budget in balance, as required by state law and our Constitution.

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For the first five months of FY 2010, state tax collections were 7.2 percent, or \$132.7 million, below collections for the same period in FY 2009.

Unfortunately, the state continues to miss the conservative revenue projections made at the end of FY 2009. So far in the current budget year, state revenues have come in 7.38 percent, or \$136.6 million, below the estimate for the FY 2010.

As Governor, I am required by state law to impose budget cuts when revenue collections do not meet our estimates – as they have for 15 consecutive months. Therefore, in accordance with Section 27-104-13, Mississippi Code of 1972, annotated, it is necessary to revise FY 2010 budgets for a second time to achieve a savings of \$54,329,898.

As you know, I am statutorily prohibited from cutting any agency by more than five percent until I have cut spending for all agencies by five percent. These cuts will reduce budgets for most state agencies 5 percent below their FY 2010 appropriated levels. Some agencies and programs will not be affected by this round of cuts. These include the Office of the Auditor, the Mississippi Tax Commission, National Board Certification program for teachers, Chickasaw Interest, the Ayers settlement, student financial aid and bonds and interest. Legal settlements with the Departments of Human Services and Rehabilitation Services will see a partial cut. The Department of Corrections will receive a 1 percent reduction.

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Current projections place Mississippi's FY 2010 revenue shortfall at about \$386 million, so another round of cuts is a certainty. Effective fiscal management

would be enhanced if the Governor had authority to make up to 10 percent cuts, and I will seek such authority when the Legislature convenes in January. In dire situations such as the one in which we are in, Governors need the ability to reduce state spending with surgical precision, not a shotgun blast.

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We cannot expect state revenues to improve anytime soon. As I have said before, historical trends dictate the worst budget years for a state are the two years after the national recession is declared over. We must take into account the long-term fiscal health of our state to ensure citizens continue to receive essential state services.

Sincerely,



Haley Barbour